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Methodological approaches to the analysis of an enterprise accounting balance

A problem statement. To assess a current and forecast financial condition, directions of enterprise development, to find out the ways of increasing its work efficiency each company conducts financial analysis. Information that serves as the basis for management decisions is revealed in financial statements. A balance sheet is the most informative form of reporting for realizing the analysis and evaluation of a financial condition of an enterprise. That is why, the study of balance as the main source of information for analyzing an enterprise, methods for its analysis, and stages are important and relevant issues for research.

Analysis of recent research and publications. There are a lot of works both of native and foreign scientists devoted to the study of issues concerning the formation, methods of compilation and analysis of financial reporting, and a balance in particular: P. V. Anistratov, V. I. Bachinsky, M. D. Bilik, O. D. Danilov, O. I. Gadzevich, V. P. Zavgorodniy, G.G.Kireytsev, Z.V. Kirianov, V.V. Kovalev, G. Ya. Kozak, E. V. Mnych, G. V. Nashkerskaya, O. V. Oliynyk, V. O. Podolska, I. F.

Prokopenko, M. S. Pushkar, G. V. Savitskaya, O. O. Tereshchenko, N. V. Chebanova, M. G. Chumachenko, A. D. Sheremet and others. Significant achievements of native scholars have been widely introduced into the activities of enterprises of different forms, however, some issues having a methodological nature require further investigation.

Objectives setting. The main objective of the paper is to study theoretical foundations of the analysis, in particular its stages, the sequence of carrying out the balance sheet as the main source of information.

The main material. The balance sheet as an integral part of an accounting and financial reporting system, which is capable of providing information needs of different categories of users, both internal and external, is an essential source of information about a financial state of a company.

The research of the balance sheet allows obtaining generalized information on assets and their sources in a cost assessment for a certain date, to determine the degree of security of the company's own working capital, to establish at the expense of which articles the amount of working capital has changed, to assess the overall financial condition of an enterprise, even without calculating analytical indicators.

Such information is extremely necessary for the internal (managers, specialists, employees of the enterprise) and external (shareholders, lenders of the enterprise, tax services) users for decision-making.

According to NP (S) BO 1 "General requirements for financial statements" a balance sheet (report of financial situation) is a statement of financial position of an enterprise which reflects its assets, liabilities and equity for a certain date. The balance sheet of an enterprise is made at the end of the last day of the reporting period. The balance sheet shows assets, liabilities and equity of an enterprise [1].

A balance sheet is the main reporting document of the enterprise, which can be interpreted as an instant snapshot of the financial and economic state of the enterprise on a certain date. The very procedure of estimations is called the balance reading. Ability to read the balance is an important professional characteristic of a financier, which allows him to make projected balances and manage the most important financial parameters of the enterprise. Also, the ability to read financial reports helps a financial analyst to make the right opinion about the financial condition and production activities of other companies [2, p. 70].

Urgent questions of today are the mastery of methodology, the sequence of the balance analysis, which will give an opportunity to objectively assess the effectiveness of an economic activity and to develop

sound management solutions for identifying and use of reserves to improve the functioning of industrial enterprise registries.

The analysis of financial statements is a process with the help of which the results of the enterprise's activity and the past and present financial position of the enterprise are compared [3, p. 41].

According to O. I. Tarasenko, the main purpose of the balance sheet analysis is to identify so-called weak balance sheet items and track of their dynamics. Presence of "bottlenecks" indicates first of all about ineffective work of the enterprise in the investigated period and the poor financial situation that arose as a result of unsatisfactory work. The presence of these problems will be evidenced by accounts payable, overdue loans, uncovered losses, etc.) [4, p. 134].

Based on the balance sheet, financial analysts determine the lines of enterprise analysis (Table 1.)

Table 1.

Main lines of analysis for a real financial situation assessment

Analysis lines	Their content
Analysis of the financial situation for the short term perspective	Is presented in the calculation of indicators for assessing the satisfaction of the balance sheet structure (liquidity ratio, availability of own funds and the possibility for solvency restore)
Analysis of the financial situation for the long term perspective	Investigates the structure of funds sources, the degree of enterprise dependence on external investors and creditors
Business activity analysis	The criteria are: breadth of markets for products sale, the reputation of an enterprise, degree of a production plan performance

The source: systematized by the author and supplemented according to [5]

The practice of analysis has produced several basic techniques for analyzing (reading) financial statements of an enterprise, among which the following can be distinguished: horizontal analysis; vertical analysis; trend analysis; analysis of relative indicators (financial ratios); comparative analysis; factor analysis [6, p. 343].

A financial situation is an ability of an enterprise to finance its activities. The financial condition of an enterprise can be stable, unstable and crisis one. The ability of an enterprise to meet its obligations promptly and to finance its activities on the principles of expanded reproduction demonstrates its steady financial situation. Its goal is due investigation and elimination of deficiencies in financial and economic activity of an enterprise and identification of reserves for improving its financial status [7, p. 255-256].

To study the financial position of an enterprise it is necessary to have information about economic resources under its control, about its financial structure, liquidity and solvency, as well as the ability to adapt to changes in the environment in which it operates [8, p. 155].

The study has found that the analysis of the balance sheet is extremely important in determining the state and dynamics of the enterprise financial position and allows us to determine the factors of influence on it, to predict its future development. Such information is necessary, first of all, while implementing the current management of the enterprise for making effective tactical decisions to achieve a strategic goal.

Presently there are different methods of analyzing the balance shown in works of many scholars and scientists. For example Luchko M.R. offers to analyze the balance according to an express analysis, whose purpose is current and sufficiently quick assessment of a financial state and the dynamics of enterprise development. In general, the method of express analysis report provides an analysis of resources and their structure, results of management, the efficiency of using the own and borrowed funds. The content of express analysis includes the selection of a small number of the most significant and relatively non-false in calculation indicators and constant tracking of their dynamics [9].

A. M. Gerasimovich distinguishes the following areas of an enterprise financial situation analysis: assessment of financial stability, business activity, liquidity and management efficiency [10, p. 555].

In the work of V. O. Mets the following kinds of analysis are considered: analysis of assets and liabilities, analysis of liquidity and solvency, financial stability, analysis of turnover of working capital, analysis of the movement of funds, analysis of accounts receivable and accounts payable, analysis of the use of capital [11, p. 207].

In his works G. O. Kramarenko notes the following areas of analysis: analysis of the financial situation in the short-term perspective (calculation of indicators for assessing the satisfaction of the balance sheet structure

(liquidity ratio, equity and solvency recovery), analysis of the financial situation according to the long term perspective (the study of income sources structure, degree of dependence of the company on external investors and creditors), analysis of business activity (criteria: the breadth of markets for products sale, company reputation, degree a production plan implementation) [12].

G. Savitskaya gives a detailed methodology of analysis taking into account the following trends: analysis of assets and liabilities, assessment of financial stability, analysis of the intensity and efficiency of capital use, assessment of business activity of an enterprise, solvency analysis and creditworthiness, analysis of a stock of financial stability (security zone) [13 p. 447-485].

V. V. Kovalev and Vit. V. Kovalev propose to analyze the following ways: vertical and horizontal analysis of the balance, analysis of qualitative changes in property potential, assessment of liquidity and solvency, assessment of financial stability [14 p. 226].

Investigation of various domestic methods of analysis according to the balance sheet and taking into account the requirements for a comprehensive method of economic analysis of enterprises has allowed

Table 2.

Stages of the analysis of the balance sheet at the enterprise

Stage	Stage name	Indicators to be calculated
Analysis of balance sheet assets		
1 stage	Analysis of the balance sheet currency	Calculation of the absolute and relative deviation of the balance sheet currency
2 stage	Analysis of the balance sheet asset:	Calculation of absolute and relative deviation by types of assets, shares of certain types of assets in their total value, changes in the proportion of individual assets in the total value of assets, return on assets
	a) Analysis of non-current assets: - fixed assets; - analysis of intangible assets; - analysis of long-term financial investments	Calculation of the absolute and relative deviation of non-current assets and their types, the share of certain types of non-current assets in the total value of assets and the total value of non-current assets
	b) Analysis of current assets: - stock analysis; - analysis of cash its equivalents; - analysis of accounts receivable	Calculation of the absolute and relative deviation of current assets and their types, the share of certain types of current assets in the total value of assets and the total value of current assets

Balance sheet analysis		
3 stage	Balance sheet analysis: - equity analysis; - analysis of attracted capital; - analysis of current liabilities	Calculation of the absolute and relative deviation of the equity and liabilities, the share of certain types of equity and liabilities in the total value of equity and liabilities, the ratio of the own and attracted capital.
Balance liquidity analysis		
4 stage	Balance liquidity analysis	Calculation of the balance sheet liquidity indicators ($A1 > \Pi1$; $A2 > \Pi2$; $A3 > \Pi3$; $A4 \leq \Pi4$)
Solvency analysis		
5 stage	Solvency analysis	Calculation of networking capital change, absolute solvency ratio, urgency solvency ratio, intermediate solvency ratio, total solvency ratio
Financial sustainability analysis		
6 stage	Financial sustainability analysis	Calculation of absolute (own working capital, capital for the formation of reserves and covering of expenses) and relative values (coefficient of autonomy, financial dependence, financial risk, maneuvering of the own capital, accumulation of depreciation, production purpose property)
Analysis of creditworthiness		
7 stage	Analysis of creditworthiness	Calculation of the volume, structure and dynamics of loans, changes in the share of long-term and short-term loans, the ratio of loans secured

us to justify the sequence of analysis of the balance sheet, carried out in the process of current enterprises activities (Table 2).

The first stage of the analysis in the proposed algorithm includes the balance currency analysis, because this indicator characterizes the total value of enterprises.

The second stage involves the analysis of the balance-sheet asset, aimed at substantiating economic decisions related to the placement of the property of enterprises. First, an analysis of its condition and dynamics in general, then based on the individual components is implemented. According to the results of the analysis, economic decisions are made regarding the necessity of acquiring certain types of assets of the enterprise or their retirement from the enterprise; searching for effective ways to use them is realized; the financial situation of the enterprise with the structure of assets is compared.

The third stage includes the analysis of the enterprise's liability, related to the management of the capital of the enterprise (it's own and borrowed). The calculation of indicators characterizing the state and dynamics of equity capital can justify decisions on the distribution of profits, the continuation or additional investment of funds in the enterprise and illustrates the policy of managers regarding the use of own funds of the enterprise. The status and dynamics of current liabilities in terms of their types show the payment discipline of the enterprise.

The assessment of the liquidity of the balance sheet is the fourth stage of the analysis, which is a unique indicator of the financial condition of the enterprise. The fulfillment of the four conditions that make it possible to characterize the company's balance sheet as liquid prove the existence of a company's working capital.

The fifth stage is connected with an analysis of the solvency of an enterprise. It allows predicting the payment policy of the enterprise. Based on the calculated coefficients conclusions about the speed of debts repayment by the company are made, and possible penalties for late payment of arrears are forecasted.

The analysis of the financial sustainability of the enterprise is the sixth stage, which provides users with information about the prospects for further development of the enterprise. Financial stability shows the correct strategy of the enterprise and provides an opportunity to predict the effective functioning of the investigated enterprise in the future.

The seventh stage involves the analysis of the company's creditworthiness, allows us to give a general idea of the company's provision of loans and indicates its desire to attract additional funds for expansion, increase of its activity intensity or direction change.

We believe that the essential advantages of the proposed approach to the carrying out the analysis of the balance sheet are as follows: compliance of the balance sheet analysis methodology with economic decisions made on its basis; the names of the stages and their elements correspond to the names of sections and articles of the balance sheet, which ensures the conformity of the procedures of economic analysis and the information source on which it is carried out, i.e. the balance sheet; ensuring the correspondence between the methods of analytical indicators calculating and the balance sheet lines codes, which facilitates the calculation part of the analysis and reduces the time of analytical procedures; the use of commonly used methods for calculating analytical indicators and their normative values to eliminate the ambiguity of individual indicators interpretation.

We agree with the fact that business activity can be considered as successful and the financial condition as stable if some criteria are met: cash and its equivalents increase at the end of the period about the beginning of the reporting period, rate of their growth is higher than the level of inflation; current assets show a positive dynamics of growth on an equal footing with the growth rates of non-current assets and current liabilities; the volume and dynamics of long-term debt and equity growth are above the corresponding indicators for non-current assets; the share of equity capital in the balance sheet does not exceed 50%; accounts payable and accounts receivable comply with each other according to the volume; there are no uncovered losses in the balance sheet.

Conclusions. Thus, the study conducted allows us to state that the accounting balance is the most informative form of reporting for the analysis and assessment of the enterprise financial situation. The seven-step methodology of the balance sheet analysis, which is carried out in the process of the current activity of enterprises, is proposed and summarized, and the advantages of such approach are determined.

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Abstracts

PICHNIAK TETIANA. **Metodyczne podejścia do analizy bilansu majątkowego przedsiębiorstwa.** W artykule określono rolę i miejsce bilansu majątkowego jako najbardziej informacyjną formę sprawozdawczości finansowej. Rozważane są główne kierunki i metody analizy dla rzeczywistej oceny kondycji finansowej przedsiębiorstwa. Badane są różne kierunki i metody analizy bilansu. Kolejność (etapy) analizy bilansu majątkowego, przeprowadzana w procesie bieżącej działalności przedsiębiorstwa, została uogólniona.

Słowa kluczowe: bilans przedsiębiorstwa, aktywa, pasywa, kapitał, płynność, wypłacalność, stabilność finansowa, zdolność kredytowa, kondycja finansowa, etapy analizy.

ПІХНЯК ТЕТЯНА. **Методичні підходи до аналізу бухгалтерського балансу підприємства.** У статті визначено роль та місце бухгалтерського балансу як найінформаційнішої форми фінансової звітності. Розглянуто основні напрями та прийоми аналізу для реальної оцінки фінансового стану підприємства. Досліджено різні напрями та методики аналізу балансу. Узагальнено послідовність (етапи) аналізу бухгалтерського балансу, що здійснюються в процесі поточної діяльності підприємства.

Ключові слова: бухгалтерський баланс, активи, зобов'язання, капітал, ліквідність, платоспроможність, фінансова стійкість, кредитоспроможність, фінансовий стан, етапи аналізу.

ПИХНЯК ТАТЬЯНА. **Методические подходы к анализу бухгалтерского баланса предприятия.** В статье определены роль и место бухгалтерского баланса как наиболее информативной формы

финансовой отчетности. Рассмотрены основные направления и приемы анализа для реальной оценки финансового состояния предприятия. Исследованы различные направления и методики анализа баланса. Обзор последовательность (этапы) анализа бухгалтерского баланса, осуществляемых в процессе текущей деятельности предприятия.

Ключевые слова: бухгалтерский баланс, активы, обязательства, капитал, ликвидность, платежеспособность, финансовая устойчивость, кредитоспособность, финансовое состояние, этапы анализа.

PIKHNIAK TETIANA. Methodological approaches to the analysis of an enterprise accounting balance. *The article defines the role and place of a balance sheet as the most informative form of financial reporting. The main trends and methods of analysis for a real assessment of a financial condition of an enterprise are considered. Different lines and methods of balance analysis are investigated. The sequence (stages) of a balance sheet analysis carried out in the course of a current activity of an enterprise, is generalized.*

Keywords: *balance sheet, assets, liabilities, capital, liquidity, solvency, financial stability, creditworthiness, financial condition, stages of analysis.*